

FISCAL IMPACT STATEMENT ON BILL NO. **S.179**

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TO:	The Honorable Glenn McConnell, Chairman, Senate Judiciary Committee		
FROM:	Office of State Budget, Budget and Control Board		
ANALYSTS:	Kenneth Brown, Beth Campbell, Rodney Grizzle		
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AUTHOR:	Senator Elliott	PRIMARY CODE CITE:	42-1-5
SUBJECT:	Workers Compensation - Department of Insurance		

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ESTIMATED FISCAL IMPACT ON GENERAL FUND EXPENDITURES:  
See Below

ESTIMATED FISCAL IMPACT ON FEDERAL & OTHER FUND EXPENDITURES:  
See Below

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**BILL SUMMARY:**

The Bill would abolish the South Carolina Worker's Compensation Commission and transfer all assets and employees to a new division of the South Carolina Department of Insurance and provide for a rotating panel of three Administrative Law Judges to hear applications for review of decisions of the Division of Worker's Compensation of the Department of Insurance.

**EXPLANATION OF IMPACT:**

Department of Insurance (DOI) and Worker's Compensation Commission (WCC)

Section 42-1-5 transfers all employees and assets of the former South Carolina Workers' Compensation Commission to the South Carolina Department of Insurance. The DOI indicates enactment would result in a savings to the General Fund of the State of \$65,000 from the elimination of two (2.00) state-funded FTE positions duplicated in the administrative services area of the two agencies. Integration of computer systems and acquisition of additional office space for the WCC Division would be minimal and would be absorbed within the existing resources of the two agencies. The Department also notes that savings of Other Funds of approximately \$135,000 in salaries and fringe would result from the elimination three FTE positions duplicated in the administrative services areas of human services and procurement.

The WCC reports that this Bill would produce an annual savings to the General Fund of \$248,373. These savings include a reduction in salary and fringe for the termination of 2.00 FTEs, a reduction in salaries and fringe for the remaining Commissioners, and a reduction in the related operating expenses for these positions. Further savings may come in the future for reduced administrative costs. There will be additional costs associated with the termination of two employees, such as annual leave payouts, but these costs can be absorbed by the agency.

Administrative Law Court

The Court reports that it would require 11.00 FTEs for 5 Administrative Law Judges, 5 Judicial Assistants, and 1 Attorney to process, hear, and dispose of the estimated 1,254 Workers' Compensation appeals transferred to the Court by this Bill. These positions would have an annual cost to the General Fund of \$971,395 for salary, fringe and other operating expenses and a non-recurring cost to the General Fund of \$84,603 for furniture and computer equipment. Current caseload statistics for the ALC and WCC were used to estimate the additional staffing requirements.

### Judicial Department

Enactment would have an impact on the agency's General Fund expenditures. Worker's compensation cases appealed from the Administrative Law Court to the State Supreme Court would likely create a backlog to the courts docket due to the increased time between filing an appeal and the actual deposition of the case. The impact on the Department's expenditures will depend on the number of appeals to be heard.

### Recapitulation

The net annual impact on the General Fund of the State taking into consideration anticipated cost savings at the Department of Insurance and Worker's Compensation Commission along with increased costs at the Administrative Law Court can be estimated at \$658,022. However, this does not include additional cost for the Judicial Department which is dependant on the number of appeals to be heard. The Accountability Report for the WCC indicates that there were 195 appeals to a higher court in 2004-05 and 283 appeals in 2005-06.

### **LOCAL GOVERNMENT IMPACT:**

None.

### **SPECIAL NOTES:**

None.

Approved by:

A handwritten signature in black ink that reads "Don Addy". The signature is written in a cursive, flowing style.

Don Addy  
Assistant Director, Office of State Budget